

**Ja-Ela Pradeshiya Sabha**  
**Gampaha District**

**1. Financial Statements**

**1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 08 July 2016.

**1.2. Qualified Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Ja-Ela Pradeshiya Sabha as at 31 December 2015 and the financial result of its operations for the year then ended.

**1.3. Comments on Financial Statements**

**1.3.1. Accounting Deficiencies**

The following deficiencies are observed.

- (a) According to the bank reconciliation statement forwarded by the Sabha as at the end of the year under review, a difference amounting to Rs.346,065 existed between the balance in the cash book and the cash balance disclosed in the accounts, and this difference had not been adjusted through the bank reconciliation.
- (b) The Crooswatta Multipurpose Building constructed during the year under review, spending Rs.379,650 of Sabha funds had not been capitalised.
- (c) Though the library books valued at Rs.5,849, and the canopy hut valued at Rs.70,000 purchased during the year under review, had been shown under capital expenditure, it had not been capitalised under fixed assets.
- (d) Though the value of 05 items of assets amounting to Rs.1,344,876 should be accounted as capital expenditure, it had been brought to account as recurrent expenditure.
- (e) The value of 02 assets amounting to Rs.200,000, included in the fixed assets register of Batuwatta Sub-office had not been brought to account.
- (f) Though the value of fixed assets as at 31 December of the year under review amounted to Rs.415,505,835, the total balances in the revenue contribution to the capital outlay account, and the donations account, amounted to Rs.415,832,932.
- (g) Though Rs.15,000 had been disclosed as employee deposits included in the fixed deposits, for a long period, no such fixed deposit existed in the organization.

### **1.3.2. Lack of Evidence for Audit**

Transactions totalling to Rs.115,725,427 with relevant to 03 items of accounts could not be vouched satisfactorily during the audit, due to non-submission of documentary evidence to audit.

### **1.3.3. Un-reconciled Control Accounts**

According to the control accounts as at 31 December 2015, the total balances relevant to 08 items of accounts amounted to Rs.211,594,176, whilst the total balances according to the subsidiary registers amounted to Rs.117,192,366. Therefore a difference of Rs.94,401,810 existed.

### **1.3.4. Accounts Receivable**

(a) Action had not been taken to recover; the electricity charges in arrears amounting to Rs.2,193,449 carrying forward for several years; balance of fines amounting to Rs.27,282; and the balance in advances in arrears amounting to Rs.4,418,922 carrying forward prior to the year 2009.

(b) Action had not been taken to recover the employee loans totalling to Rs.3,180,223, which had been carrying forward in accounts for several years continuously.

### **1.3.5. Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following instances of non-compliance with laws, rules, regulations and management decisions were observed.

(a) According to the Section 24 of the Pradeshiya Sabha Act No.15 of 1987, the plans in respect of the roads and ways under the authority of the Sabha should be prepared and the relevant list of names should be promulgated through a gazette notification and the Sabha should take over the ownership of the roads. But such action had not been taken in respect of the roads and ways belong to the Sabha.

(b) 18 officers who should keep security deposits, in accordance with the Financial Regulation 880 of the Republic of Sri Lanka and the Public Officers' Security Deposit Ordinance, had not kept the security deposits.

(c) The paragraph 05 of Public Finance Circular No. 364 (3) dated 30 September 2002 stipulates that, when Value Added Taxes of over Rs.25,000 is paid by an organization, a report regarding the Value Added Taxes paid, should be despatched to the Commissioner General of Inland Revenue with a copy to the Auditor General. But details of Value Added Taxes amounting to Rs.2,694,385, for the period from January to June 2015, had not been despatched.

(d) The Commissioner of Local Government Circular No.1980/46 dated 31 December 1980 stipulates that, the stall rent should be revised at least once in 05 years. But the last assessment on stall rent of the Sabha, had been carried out in the year 1995.

### **1.3.6. Suspense Accounts**

The credit balance in the suspense account as at 31 December 2015, amounting to Rs.36,425 is being carried forward for several years. But action had not been taken to identify and settle this amount.

## 2. Financial Review

### 2.1. Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.9,946,112 as compared with the excess of revenue over recurrent expenditure amounting Rs.10,732,401 for the preceding year.

### 2.2. Revenue Administration

#### 2.2.1. Estimated Revenue, Actual Revenue and Revenue in Arrears

The information submitted by the Secretary with respect to the Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review are indicated below.

Source of Revenue	Estimated Revenue Rs.000,	Actual Revenue Rs.000,	Cumulative Arrears as at 31 December Rs.000,
(i) Rates and Taxes and Warrant Fines	93,540	48,442	35,092
(ii) Lease Rent	14,302	13,921	10,195
(iii) Licence Fees	4,877	4,313	153,178
(iv) Other Revenue	99,724	153,178	1,145
<b>Total</b>	<b>212,443</b>	<b>219,854</b>	<b>199,610</b>

#### 2.2.2. Rates and Taxes

(a) The Pradeshiya Sabha Act No. 15 of 1987 stipulates that, the assessment of rates and taxes should be revised once in 05 years. But the last assessment of rates and taxes of the Sabha, had been carried out in the year 2002.

(b) Attention had not been paid by the Sabha, to recover the balance of rates and taxes in arrears amounting to Rs.35,092,424, as stipulated in the Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.

#### 2.2.3. Other Revenue

a) The revenue receivable as at 31 December 2015 from the meat stall and *Sathi Pola* belong to Ragama Sub-office, amounted to Rs.6,320,752, and action had not been taken to recover this.

b) The balance of business taxes and trade licence fees due to Kandana Sub-office, as at 31 December 2015 amounted to Rs.201,650, and action had not been taken to recover this.

## 3. Operating Review

### 3.1. Performance

(a) The Sabha had not prepared a corporate plan covering the year under review.

- (b) 25 activities of the Community Health Division and 19 activities of the Development Division, which had been incorporated in the annual action plan had not been implemented.

### **3.2. Management Inefficiencies**

Though the average monthly cash balance of the Sabha during the year under review had been Rs.49,100,153, the Sabha had not taken action to invest even part of this money.

### **3.3. Environmental Issues**

- (a) According to the paragraph 4.1 of the Schedule 2 of the Regulations under the National Environmental Act No. 47 of 1980, each application for renewal should be submitted to the relevant Local Authority, at least 03 months prior to the date of expiry of the licence period. But it had not been submitted as stipulated. The Section 3.1.4 of the above Regulation stipulates that, when the field inspection reports are available, the Committee should be convened at least once a month disregarding the number of such reports. But, after the date of the checking, issuing of 04 licences had been delayed.
- (b) According to the Section 7.2 of the above Regulations, the Technical Progress Evaluation Committee should prepare a programme to evaluate and report the progress of the above activities once a month. But such programme had not been prepared. According to the Section 7.3 of the Regulations, the above progress reports should be referred to the Central Environmental Authority and it is compulsory to refer the reports to the Commissioner of Local Government. But such reports had not been referred.

## **4. Accountability and Good Governance**

### **4.1. Budgetary Control**

- (a) A sum of Rs.4,847,500 had been allocated during the year under review to provide the services to the public, residing in the area within the authority of the Sabha. But even as at 31 December 2015, the services had not been provided in respect of 04 service heads for which Rs.3,365,000 had been provided.
- (b) During the year under review, entire provisions amounting to Rs.12,240,500 in respect of 36 items of expenditure had remained unutilised. Therefore the budget had not been made use of as an effective tool of control.

### **4.2. Internal Audit**

Adequate internal audit had not been carried out within the organization.

## **5. Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- a) Accountancy
- b) Internal Audit
- c) Budgetary Control
- d) Revenue Administration
- e) Assets Management